

# Your Exam Content Outline

The following outline describes the content of one of the Arizona insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

## Arizona Examination for Property Insurance Producer Series 13-42

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 9%

#### 1.1 Licensing

- License application requirements (20-285)
- Licensing time frames (Rule R20-6-708)
- Types of licensees
  - Producers (20-281(5), 286)
  - Nonresidents (20-281(11))
  - Adjusters (20-321)
  - Managing general agents (MGAs) (20-311, 311.01)
  - Business entities (20-281(1), 285(D, E), 290(B))
  - Surplus lines brokers (20-407, 411)
  - Temporary (20-294)
  - Vending machines (20-293)
- Fingerprinting requirements (20-142(E), 285(F), 286(C), 289(D))
- Assumed business name (20-297)
- Maintenance and duration
  - Expiration, surrender and renewal (20-289)
  - Inactive license status during military service (20-289.01)
  - Change of address (20-286(C))
  - Report of actions (20-301)
  - Continuing education (20-300(B), 2902, 2903)
- Disciplinary actions
  - Denial, suspension, revocation or refusal to renew (20-295, 296)
  - Cease and desist order (20-292)
  - Civil penalties (20-295(F, G))

#### 1.2 State regulation

- Acts constituting insurance transaction (20-106)
  - Negotiate (20-281(10))
  - Sell (20-281(14))
  - Solicit (20-281(15))
- Director's general duties and powers (20-142, 156–157)
- Company regulation
  - Solvency (20-169; Rule R20-6-308)
  - Unfair claims settlement practices (20-461; Rule R20-6-801)
  - Claims payment (20-462)

- Examination of insurer's records (20-156–157; Rule R20-6-1702)
  - Payment of commissions (20-298)
  - Producer regulation
    - Sharing commissions (20-298)
    - Place of business and records (20-290)
  - Unfair practices and frauds
    - Misrepresentation (20-443, 443.01, 447; Rule R20-6-801(D))
    - False or deceptive advertising (20-444)
    - Defamation of insurer (20-445)
    - Boycott, coercion or intimidation (20-446)
    - False financial statements (20-447)
    - Unfair discrimination (20-448)
    - Gender discrimination (Rule R20-6-207)
    - Rebating (20-449–451)
    - Prohibited inducements (20-452)
  - Insurance information and privacy protection (20-2101–2122)
  - Insurance fraud (20-463, 466–466.04)
- #### 1.3 Federal regulation
- Fair Credit Reporting Act (15 USC 1681–1681d)
  - Fraud and false statements including 1033 waiver (18 USC 1033, 1034)
  - Telemarketing Sales Rule (16 CFR 310; 15 USC 6101–6108; A.R.S. 44-1282)
  - CAN-SPAM Act of 2003 (15 USC 7701; 18 USC 1037)

### 2.0 General Insurance 7%

#### 2.1 Concepts

- Risk management key terms
  - Risk
  - Exposure
  - Hazard
  - Peril
  - Loss
- Methods of handling risk
  - Avoidance
  - Retention
  - Sharing
  - Reduction
  - Transfer
- Elements of insurable risks
  - Adverse selection
  - Law of large numbers
  - Reinsurance

#### 2.2 Insurers

- Types of insurers

- Captive insurance companies
- Stock companies
- Mutual companies
- Fraternal benefit societies
- Reciprocals
- Risk retention groups
- Lloyd's associations

- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- Marketing (distribution) systems

### **2.3 Producers and general rules of agency**

- Insurer as principal
- Producer/insurer relationship
- Authority and powers of producers
  - Express
  - Implied
  - Apparent
- Responsibilities to the applicant/insured

### **2.4 Contracts**

- Elements of a legal contract
  - Offer and acceptance
  - Consideration
  - Competent parties
  - Legal purpose
- Distinct characteristics of an insurance contract
  - Contract of adhesion
  - Personal contract
  - Unilateral contract
  - Conditional contract
- Legal interpretations affecting contracts
  - Ambiguities in a contract of adhesion
  - Reasonable expectations
  - Indemnity
  - Utmost good faith
  - Representations/misrepresentations
  - Warranties
  - Concealment
  - Fraud
  - Waiver and estoppel

## **3.0 Property Insurance Basics 17%**

### **3.1 Principles and concepts**

- Insurable interest (20-1105)
- Underwriting
  - Function
  - Loss ratio
- Rates
  - Types
  - Loss costs
  - Components
- Hazards
  - Physical
  - Moral
  - Morale
- Causes of loss (perils)
- Named perils versus special (open) perils
- Direct loss
- Consequential or indirect loss

- Blanket versus specific insurance
- Basic types of construction
- Loss valuation
  - Actual cash value
  - Replacement cost
  - Market value
  - Agreed value
  - Stated amount

### **3.2 Policy structure**

- Declarations
- Definitions
- Insuring agreement or clause
- Additional/supplementary coverage
- Conditions
- Exclusions
- Endorsements

### **3.3 Common policy provisions**

- Insureds — named, first named, additional
- Policy period
- Policy territory
- Cancellation and nonrenewal
- Deductibles
- Other insurance
  - Nonconcurrency
  - Primary and excess
  - Pro rata
- Policy limits
- Restoration/nonreduction of limits
- Coinsurance
- Vacancy or unoccupancy
- Named insured provisions
  - Duties after loss
  - Assignment
  - Abandonment
- Insurer provisions
  - Liberalization
  - Subrogation
  - Salvage
  - Claim settlement options
- Third-party provisions
  - Standard mortgage clause
  - Loss payable clause
  - No benefit to the bailee

### **3.4 Required provisions**

- Arizona Property and Casualty Insurance Guaranty Fund (20-662)
- Cancellation and nonrenewal
  - Personal (20-1651–1656)
  - Commercial (20-1671–1679)
- Binders (20-1120)
- Federal Terrorism Insurance Program (15 USC 6701; Public Law 109–144, 110–160)

## **4.0 Dwelling ('02) Policy 10%**

### **4.1 Characteristics and purpose**

- 4.2 Coverage forms — Perils insured against**
  - Basic
  - Broad

Special

#### 4.3 Property coverages

Coverage A — Dwelling  
Coverage B — Other structures  
Coverage C — Personal property  
Coverage D — Fair rental value  
Coverage E — Additional living expense  
Other coverages

#### 4.4 General exclusions

#### 4.5 Conditions

#### 4.6 Selected endorsements

Special provisions — Arizona (DP 01 02)  
Automatic increase in insurance (DP 04 11)  
Broad theft coverage (DP 04 72)  
Dwelling under construction (DP 11 43)

#### 4.7 Personal liability supplement

### 5.0 Homeowners ('00) Policy 16%

#### 5.1 Coverage forms

HO-2 through HO-6  
HO-8

#### 5.2 Definitions

#### 5.3 Section I — Property coverages

Coverage A — Dwelling  
Coverage B — Other structures  
Coverage C — Personal property  
Coverage D — Loss of use  
Additional coverages

#### 5.4 Perils insured against

#### 5.5 Exclusions

#### 5.6 Conditions

#### 5.7 Selected endorsements

Special provisions — Arizona (HO 01 02)  
Limited fungi, wet or dry rot, or bacteria coverage  
(HO 04 26, HO 04 27)  
Permitted incidental occupancies (HO 04 42)  
Earthquake (HO 04 54)  
Scheduled personal property (HO 04 61)  
Personal property replacement cost (HO 04 90)  
Home day care (HO 04 97)

### 6.0 Auto Insurance 13%

#### 6.1 Laws

Personal auto cancellation/nonrenewal  
Grounds (20-1631)  
Notice (20-1632)  
Grace period (20-1632.01)

#### 6.2 Personal ('05) auto policy

Definitions  
Coverage for damage to your auto  
Collision  
Other than collision  
Deductibles  
Transportation expense  
Exclusions  
Duties after an accident or loss  
General provisions  
Selected endorsements

Amendment of policy provisions — Arizona  
(PP 01 67)

Towing and labor costs (PP 03 03)

Joint ownership coverage (PP 03 34)

Miscellaneous type vehicle — Arizona (PP 13  
69, PP 13 70, PP 13 71, PP 13 72)

#### 6.3 Commercial auto ('06)

Commercial auto coverage forms

Business auto

Garage

Business auto physical damage

Truckers

Motor carrier

Coverage form sections

Covered autos

Physical damage coverage

Exclusions

Conditions

Definitions

Selected endorsements

Lessor — additional insured and loss payee  
(CA 20 01)

Mobile equipment (CA 20 15)

Individual named insured (CA 99 17)

### 7.0 Commercial Package Policy (CPP) 16%

#### 7.1 Components of a commercial policy

Common policy declarations

Common policy conditions

Interline endorsements

One or more coverage parts

#### 7.2 Commercial property ('02)

Commercial property conditions form

Coverage forms

Building and personal property

Condominium association

Condominium commercial unit-owners

Builders risk

Business income

Legal liability

Extra expense

Causes of loss forms

Basic

Broad

Special

Selected endorsements

Ordinance or law (CP 04 05)

Spoilage (CP 04 40)

Peak season (CP 12 30)

Value reporting form (CP 13 10)

#### 7.3 Commercial inland marine

Nationwide marine definition (Rule R20-6-602)

Commercial inland marine conditions form

Inland marine coverage forms

Accounts receivable

Bailee's customer

Commercial articles

Contractors equipment floater

Electronic data processing

- Equipment dealers
- Installation floater
- Jewelers block
- Signs
- Valuable papers and records
- Transportation coverages
  - Motor truck cargo forms
  - Transit coverage forms

#### **7.4 Equipment breakdown ('07)**

- Equipment breakdown protection coverage form (EB 00 20)
- Selected endorsement
  - Actual cash value (EB 99 59)

#### **7.5 Farm coverage**

- Farm property coverage form ('03)
  - Coverage A — Dwellings
  - Coverage B — Other private structures
  - Coverage C — Household personal property
  - Coverage D — Loss of use
  - Coverage E — Scheduled farm personal property
  - Coverage F — Unscheduled farm personal property
  - Coverage G — Other farm structures
- Livestock coverage form
- Cause of loss (basic, broad and special)
- Exclusions
- Additional coverages
- Limits of insurance
- Conditions
- Definitions

### **8.0 Businessowners ('06) Policy — Property 6%**

#### **8.1 Characteristics and purpose**

#### **8.2 Businessowners Section I — Property**

- Coverage
- Exclusions
- Limits of insurance
- Deductibles
- Loss conditions
- General conditions
- Optional coverages
- Definitions

#### **8.3 Businessowners Section III — Common Policy Conditions**

#### **8.4 Selected endorsements**

- Arizona changes (BP 01 38)
- Protective safeguards (BP 04 30)
- Utility services — direct damage (BP 04 56)
- Utility services — time element (BP 04 57)

### **9.0 Other Coverages and Options 6%**

#### **9.1 Aviation insurance**

- Aircraft hull

#### **9.2 National Flood Insurance Program**

- "Write your own" versus government
- Eligibility
- Coverage

- Limits
- Deductibles

#### **9.3 Other policies**

- Boatowners
- Difference in conditions